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SUBJECT: U.S. Firm Sees Rising Number of Child Labor Cases

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**¶11. (SBU)** Summary: Factory auditors from a major U.S. firm have seen an increase in incidences of child labor at some factories of firms it contracts with, especially in Shantou, Guangdong and Quanzhou, Fujian. A senior auditor told us that a tighter labor market, with employees looking for opportunities in high tech and services areas, and increasing numbers of student workers have led to the recent growth in child labor in south China. End summary.

#### Tighter Labor Market Increasing Child Labor

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**¶12. (SBU)** A senior auditor with a major U.S. firm in south China told Congenoffs that rising wages associated with a tighter labor market are leading more factories that make the firm's products to hire underage workers. He said the expansion of high-tech industries and more capital-intensive manufacturing, such as automobile manufacturing, in south China, had made it harder for the factories his firm works with to attract workers. The auditor pointed out that many of these factories had complained that higher wages in provinces to the north (Zhejiang, Jiangsu, and Shandong) were making it more difficult to recruit migrant laborers. In addition, he said that press reports highlighting poor and sometimes abusive working conditions in the Pearl River Delta had also made the region less attractive to workers from other provinces.

#### Student Work Programs on the Rise

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**¶13. (SBU)** While the firm's factory inspection staff has identified cases of child labor in the past, the auditor said the recent increase was largely due to the expansion of programs that bring students at vocational schools to work in factories. He explained that rural schools often get the approval of the local education department to send students to local factories to fulfill part of their education requirement and at the same time earn money that goes to subsidize the cost of education. According to the auditor, vocational schools are common in the Pearl River Delta's factory enclaves, and these schools often require students to spend a year on the factory floor before they can graduate. He said that Chinese labor laws, including the new Labor Contract Law, do not protect students, enabling factory owners to avoid paying minimum wage, overtime, or benefits.

**¶14. (SBU)** The auditor told us that his firm does not permit employment of student workers interested in earning educational credit at factories of its manufacturing partners, unless the work at the factory "has a very close relationship with the subjects students are learning." The firm also enforces China's legal

minimum work age, 16 years, for any workers at the factories. He noted that just two weeks ago the firm's auditing team discovered over 100 student workers under the age of 16 at several small factories that make its products. The firm maintains a "three-strike" policy; factories found to have violated its labor standards three times are barred from making its products.

Shantou, Quanzhou "The Worst"

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¶5. (SBU) The auditor pointed out that increasing instances of child labor led the firm to perform an internal analysis of the frequency of its occurrence at the factories it inspects. Their 2005 analysis showed a significant increase from two years earlier. The auditor believes that the situation has continued to deteriorate. He also noted that the factories he and his team visit in Shantou, Guangdong and Quanzhou, Fujian are "the worst" and the most likely to have child laborers. He sees child labor cases in these areas so frequently that his team doesn't give a warning before they arrive for an inspection.

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